C12015

MAY 20, 1991
A BILL PUBLICATION

# RB
## RESTAURANT BUSINESS

*INDEPENDENT ST★R:*
MI TIERRA CAFE & BAKERY 76

MENU IDEAS:
FRUIT FOR THOUGHT 187

MARKET SEGMENT:
PIZZA POWER 145

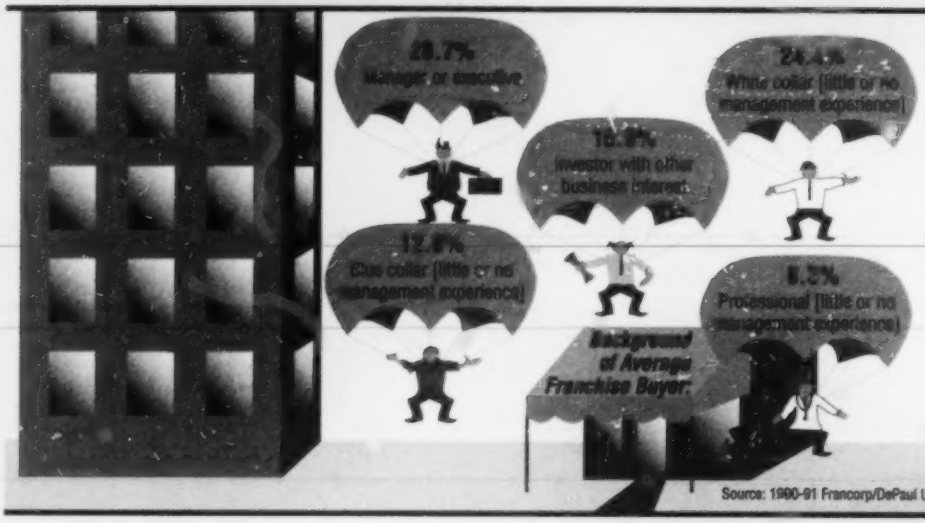
# What's Chili's Up To?

Norman Brinker, chairman, CEO, and Ronald McDougall, president, COO

1991 Business Leadership Awards

3575:09643 3-DIGIT 208
-CP- 70CB538-
JEANNE LONG
CONGRESSIONAL INFO SERVICE
4520 EAST WEST HWY
BETHESDA MD 20814

# BUSINESS BAROMETER




## Franchisees: Who Are They?

In a study of some 265 U.S. and Canadian franchise companies, about 35% of franchise buyers are now "corporate dropouts" because of the downsizing of U.S. corporations or due to "rat-race escapism."

Source: 1990-91 Francorp/DePaul University Franchise Sales and Marketing Survey

## America's Diet

Americans report they have been eating more healthful foods and decreasing their consumption of foods high in fat and cholesterol, according to a nationwide Gallup poll.

*Foods Americans say they have been eating more of and less of over the last few years:*

| | % net increase |
|---|---|
| Fruit juices | +33% |
| Chicken breast | 26 |
| Variety breads (wheat, rye, etc.) | 22 |
| Turkey breast | 19 |
| Oat-bran items | 19 |
| Lean or low-fat meats | 17 |
| 2% milk | 14 |
| Fiber-enriched bakery items | 8 |
| Low-fat yogurt | 7 |

| | % net decrease |
|---|---|
| Eggs | -23% |
| Butter | 23 |
| Cakes or pies | 22 |
| Whole milk | 20 |
| Salami | 20 |
| Dessert breads | 20 |
| Donuts or sweet rolls | 19 |
| Ice cream | 16 |
| Ribs | 16 |

Source: The Gallup Organization for the International Dairy-Deli Association, 1990

American teenagers (ages 13 to 19) spent 11% more a week on food and snacks (mostly fast food) in 1990 than in 1989, according to the recently released Rand Youth Poll. Food and snacks accounted for approximately 20% of all their purchases. Teen males spent considerably more than females.

*Weekly expenditures on food and snacks:*

| | Females | | Males |
|---|---|---|---|
| 1989 | $ 6.50 | ages 13-15 | $ 10.10 |
| 1990 | 7.05 | | 11.05 |
| 1989 | 6.75 | ages 16-19 | 10.85 |
| 1990 | 8.00 | | 11.80 |

Charts by Peter K. Niceberg

# RB CONTENTS

MAY 20, 1991 VOL. 90, NO. 8

**COVER STORY:**
**What's Chili's Up To?**
**Norman Brinker (l.) and Ronald McDougall have a new plan.**
**Page 83.**

## COVER STORY

**CHILI'S CHANGES.** Sensing possible future limits to the untrammeled expansion of the Chili's concept, top executives Norman Brinker and Ronald McDougall now have a multirestaurant portfolio and a new name as part of their expansion strategy ..... **83**

## FEATURES

**RETENTION RB/CHART REPORT.** At the second annual *Restaurant Business* and Council of Hotel and Restaurant Trainers (CHART) Roundtable, the groups joined forces with relevant participants from inside and outside the hospitality industry to discuss the problem of employee turnover ..... **65**

**INDEPENDENT STAR MI TIERRA CAFE.** The Cortez family has owned and operated this low-price Tex-Mex restaurant for four decades. And as Mi Tierra grew more successful over the years, so did their company, MTC Inc., which now includes two other restaurants. Collectively, the three units generate more than $10 million in sales annually. ..... **76**

**RB AWARDS BUSINESS LEADERSHIP.** The editors of *RB* are pleased to announce the recipients of our 1991 Business Leadership Awards. Profiles of this year's honorees are featured ..... **97**

**MARKET SEGMENT REPORT PIZZA.** The pizza segment continues to outperform the restaurant industry as a whole. Sales by pizza operations rose to $15 billion. Competition continues to toughen and the segment is becoming saturated. However, the Big Three—Pizza Hut, Domino's, and Little Caesar—continue to pursue ambitious expansion plans at the expense of other foodservice operators ..... **145**

**Cover photograph by Robert Latorre**
**Logo design by SBG Partners, San Francisco**

Published monthly except semi-monthly in Jan., Mar., May, July, Sept., and Nov. by Restaurant Business Magazine, (ISSN 0097-8043), 633 Third Ave., New York, NY 10017. Vol. 90 No. 8. Second Class Postage paid at New York, NY and additional office (USPS 917-180). Canadian Post International Publications Mail (Canadian Distribution) Sales Agreement No. 546275. Postmaster please send address changes to Restaurant Business, P.O. Box 5309, Grand Central Station, New York, NY 10017.

## FOOD AND BEVERAGE


**MENU IDEAS FRUIT.** Whether as a light finale to a meal or as a sweet accent to a savory appetizer or entree, fruits of all seasons and nations are turning up more and more on American menus ..... **187**

**CHEF'S ART CULINARY TEAM USA.** This article features the team's award-winning menu of fisherman's soup, barbecued short ribs, and potato salad ..... **192**

**PRO'S PANTRY SOY SAUCE.** The savory brown liquid made by fermenting soybeans, wheat, yeast, and salt was invented by the Chinese—but can be found in almost any kitchen. ..... **195**

**PIECE MEAL TAMALES.** Stuffed masa corn dough steamed in corn husks can be filled with many different ingredients, offering great versatility. ..... **197**

**DRAFTS, CARAFES LOW/NO-ALCOHOL BEVERAGES.** One third of all Americans are teetotalers. Responsible foodservice operators are now offering their customers alternatives to alcohol, from low- and no-alcohol beer and wine to mocktails. ..... **201**


## COLUMNS AND DEPARTMENTS


**BUSINESS BAROMETER** ..... **2**

**EDITORIAL** ..... **8**

**RESTAURANT OPENINGS** ..... **16**

**INSIGHTS.** Industry News ..... **22**

**MENU PLANNERS GUIDE** ..... **48**

**SANITATION** ..... **172**

**EQUIPMENT I.Q.** Sanitation Systems ..... **174**

**BUYER'S CIRCLE.** Noteworthy Equipment ..... **178**

**ON TAP.** Light Beer ..... **206**

**CLASSIFIED ADVERTISEMENTS** ..... **211**

**LATE LINE.** Last-minute Newsbreaks ..... **216**

**INDEX** ..... **219**

**SOUND OFF** ..... **220**

**READER COMMENT CARD** ..... **221**


## INDUSTRY REPORTS AVAILABLE

Reprints of the **1990 RESTAURANT GROWTH INDEX** and **1991 MAJOR FORCES IN FRANCHISING** are available for $7 per copy. Direct inquiries to Peter Berlinski, *Restaurant Business*, 633 Third Ave., New York, NY 10017.

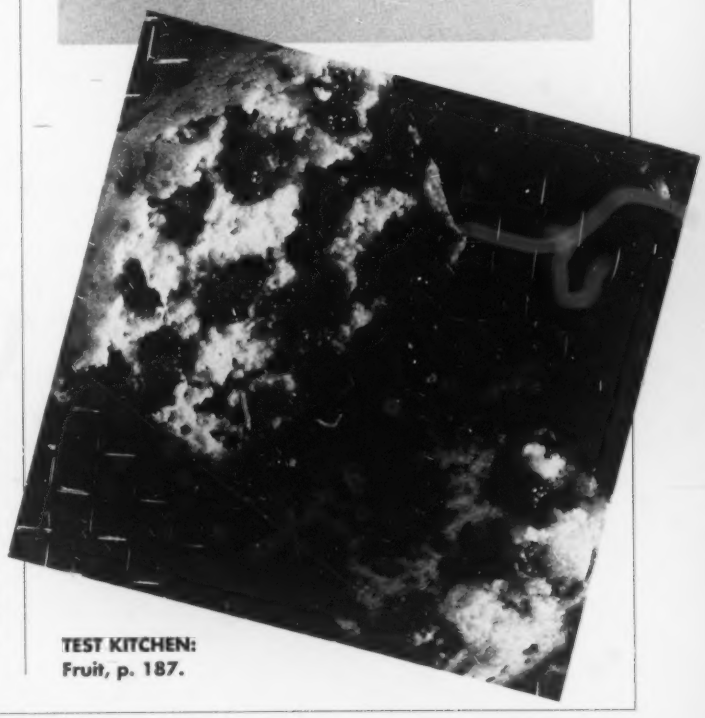
## IN THE NEXT ISSUE

**COVER STORY UNSUNG ENTREPRENEURS.** In this article, we profile a group of industry heroes, those dedicated restaurateurs who have worked long and hard at the trade but who have gone unheralded.

**MARKET SEGMENT REPORT SEAFOOD.** Fish and seafood continue to be popular with consumers. Because of cholesterol concerns, the major chains—both seafood and meat-based concepts—have pulled out all the stops to introduce baked and broiled seafood selections. Supply is still a big issue; foodservice operators have had to seek alternative sources. Seafood franchising is dominated by three chains—Long John Silver's, Captain D's, and Arthur Treacher's Fish & Chips. Beyond that, small regional chains and independents lead the way.

**PIECE MEAL HOT DOGS.** The frankfurter will be featured, as well as a bevy of relish and topping ideas.

**DRAFTS, CARAFES TEQUILA TAKES OFF.** Tequila's star is rising in the on-premise arena as a hip, highly mixable white spirit with a special affinity for fruit concoctions.

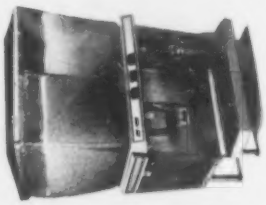


**TEST KITCHEN:**
**Fruit, p. 187.**

THE BEST DISPENSER IN THE BUSINESS JUST GOT BETTER...

TJ3/TC

- EXPANDED CUP SIZE CAPABILITY
- MOST RELIABLE UNIT IN THE INDUSTRY
- NARROWEST 2 BOWL UNIT ONLY 16" WIDE



JET SPRAY

Dispensers for non carbonated drinks and juices, and hot beverages and soup.

Jet Spray Corporation, 825 University Ave., Norwood MA 02062□(800) JET CORP (617) 769-7500 Fax (617) 769-2368

For information circle number 64

RB RESTAURANT BUSINESS

EDITORIAL STAFF

EDITORIAL DIRECTOR Peter R. Berlinski
EDITOR Scott Allmendinger
EXECUTIVE EDITOR Shelley Wolson
MANAGING EDITOR Tom Strenk
NEWS EDITOR Marilyn Alva
FEATURES WRITER Diane Kochilas
ASSISTANT EDITOR Lori Barker
PRODUCTS EDITOR Herme Shore
ASST. TO THE EDITOR Mary Ann Tasoulas

FOOD EDITOR Pam Anderson
BEVERAGE EDITOR James Scarpa
FOOD CONSULTANT Kathleen Kenny Sanderson

WEST COAST EDITOR Kevin Farrell
(714) 964-6470
MIDWEST EDITOR James Scarpa
(312) 782-1266

ART DIRECTOR Beth Meyers
ASSOC. ART DIRECTOR Susan Froberg
ASST. ART DIRECTOR Adrienne Helé
ART INTERN Stephanie Cassas

SPECIAL PROJECTS EDITORS
Denise Brennan Patricia Kolb
Joan Lang

COLUMNISTS
Patricia Baird Gen LaGreca
Dr. Joseph Durocher Karen MacNeil
David L. Epstein Bill Main
Dr. Michael Kasavana Edmund Osterland
Don Shapiro

CONTRIBUTING EDITORS
Mark Bittman Don Nichols
Carol Casper James Peters
Jacque Kochak Ralph Raffio

PRESIDENT/GROUP PUBLISHER
Jeffrey P. Berlind

Editorial Office
633 Third Ave., New York, NY 10017
(212) 986-4800

Midwest Office
180 N. Michigan Ave.,
Chicago, IL 60601
(312) 782-1266

West Coast Office
10540 Talbert Ave., East Tower, Suite 150
Fountain Valley, CA 92708
(714) 964-6470

RESTAURANT BUSINESS Magazine (formerly FAST FOOD) (ISSN 0097-8043) is published monthly except semi-monthly in Jan., March, May, July, Sept., and Nov. by Bill Communications, Inc., 633 Third Ave., New York, NY 10017. Telephone: 212-986-4800.
Copyright © 1991 by Bill Communications, Inc. All rights reserved.
Subscriptions in the U.S. $79; Canada, $114; foreign surface $124; air mail, $212. Single copies in the U.S. and Canada, $7. Second class postage paid at New York, NY, and at additional offices. Postmaster: Send address corrections to Restaurant Business, Attention: Roseanne Walsh, Circ. Dept., 633 Third Ave., New York, NY 10017-6743.
Authorization to photocopy items for internal or personal use, or the internal personal use of specific clients, is granted by Restaurant Business for libraries and other users registered with the Copyright Clearance (CCC) Transactional Reporting Service, provided that the base fee of $3 per copy is paid directly to CCC, 21 Congress St., Salem, MA 01970. (0273-9313/81 $3) Special requests should be addressed to Peter Berlinski at Restaurant Business.

# PIZZA

MARKET SEGMENT REPORT

**Sales by pizza operations rose to $15 billion.**

**By Carol Casper**

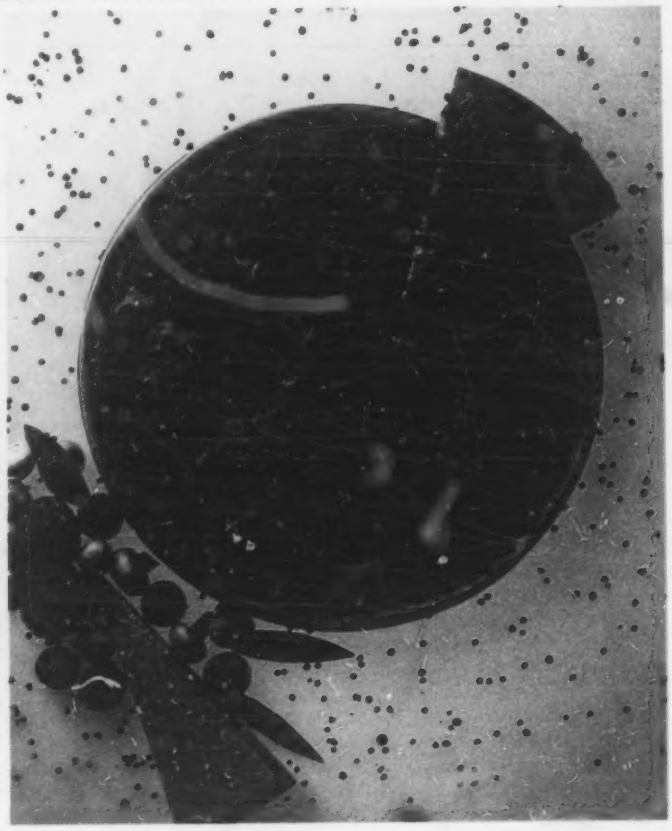
The pizza segment continues to outperform the restaurant industry as a whole. However, these days, that does not say very much. Traffic rose 3% for pizza operations last year, only slightly outpacing the overall industry gain of 2%, according to CREST data from NPD Group, Park Ridge, IL.

Dollar figures show a comparable trend. Sales by pizza operations rose from $14 billion in 1988 to $15 billion in 1990, roughly a 7% gain over two years.

Competition within the segment continues to toughen. Although America's love affair with the flat round pies shows no sign of abating, many observers believe that development has finally caught up with demand and the segment is becoming saturated.

This may be news to the Big Three—Pizza Hut, Domino's, and Little Caesar—which continue to pursue ambitious expansion plans. However, the viewpoint is borne out by mounting signs that the giants' growth is coming at the expense of other operators, both smaller chains and independents.

A look at RECOUNT statistics from Restaurant Consulting Group, Evanston, IL, tells the story. In 1988 and 1989, the Big Three slightly outpaced the rest of the segment in unit growth rates. They expanded their combined numbers by 14% and 11% those years, while total pizza locations grew 10% and 9%, respectively.



The Mazzio's chain differentiates with specialty products like its Pizza Light and Choice Meat Plus Pizza.

In 1990, the giants increased their numbers by 8%, while the total number of pizza places in the U.S. actually shrank.

**HARD FACTS.** Many independents and smaller chain operators continue to quote the conventional wisdom that taste in pizza is highly individualized; most consumers prefer their local favorites. Yet the hard facts indicate this perception may lag behind reality. According to CREST, last year pizza chains attracted 55% of total traffic while 45% went to independents. As chain units continue to proliferate, the balance could well shift further

*continued on page 146*

against independents.

Smaller, regional chains, as well as independents, face a tough fight competing against the giants in today's price-sensitive market.

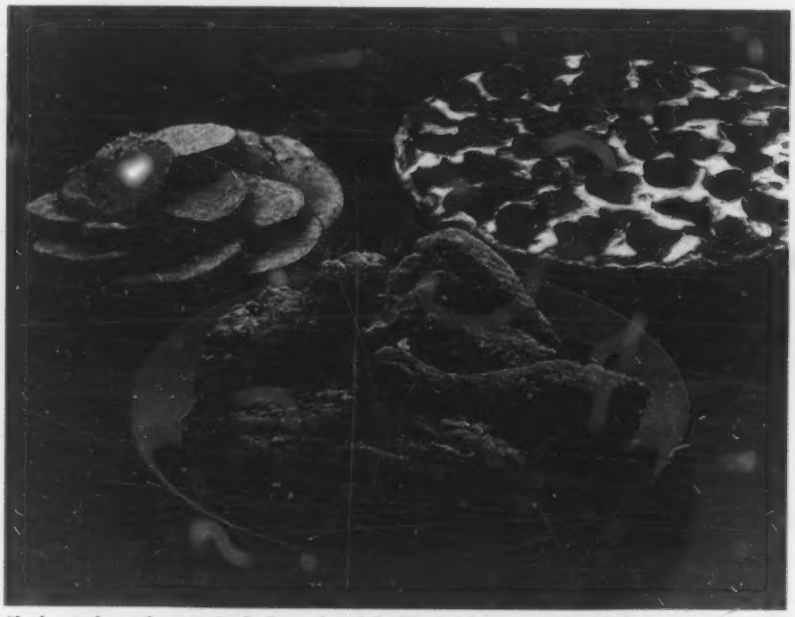
"Price has been the driving force in the pizza industry for some time, but the situation is even more acute today," observes Bob Adamowski, president of Pietro's Pizza, Lynnwood, WA, a 79-unit chain. "We can build a following by providing greater value, but our margins are not as strong so we can't discount like the majors," he notes.

"We have to attract the Domino's and Pizza Hut customer to survive," Greg Lippert, vice president of Mazzio's Corp., Tulsa, OK, echoes. Like Pietro's and many other smaller chains, Mazzio's sees its challenge as convincing customers it offers better value.

"We want to be somewhat discount-proof, so we offer an upscale setting, and specialty pizzas," Lippert says.

Other, smaller chains believe they can go head-to-head with the Big Three on price by keeping overhead low and cultivating high profiles in their communities through low-cost forms of exposure. The Pizza Pit, Madison, WI, with 24 units, succeeds through high traffic counts combined with "off-the-wall" advertising and community activity to meet the big chains head-on, says marketing director Tom Hartl.

Similarly, Pennsylvania-based Four Star Pizza hopes to parlay its 125 franchised stores into a national presence some day by keeping menu and operations simple, and building a system of individual owner/operators who can garner grass roots support.



Shakey's broad menu includes a lunch buffet and the recently debuted hot wings.

**The segment continues to outperform the industry; traffic rose 3%.**

Probably the hardest hit are independent pizza operators, who feel the increased squeeze from both large and small chains. To help them combat the trend and protect market share, a San Diego-based organization, U.S. Pizza Network, was formed four years ago by former pizzeria operator Michael Piancone. For a $100 annual fee, 2,500 members receive four-color art to use in advertisements, the ability to participate in network purchasing, special promotional programs, and a monthly newspaper, among other benefits.

Pizza operators also face growing competition from sources outside the segment. Restaurants of all kinds now feature their own versions of pizza as appetizers or entrees. Whether this draws business away from the mainstream is hard to say.

A more worrisome factor could be the strong growth of supermarket pizza sales, notes Dennis Wall, assistant editor of *Pizza Today*, the publication of the National Association of Pizza Operators, Santa Claus, IN. Take-and-bake pizzas sold by supermarket delis previously have been regarded as inferior products, posing little threat. Now, though, sales are on the rise, as some supermarkets are experimenting with upgraded, fresh-made pizzas and even hot-to-go products. If the trend continues, it could take a significant slice out of the pizza market.

But one area where supermarkets are not likely to compete is delivery, and delivery is powering much of the pizza segment's growth, say most observers. On the other hand, Bob O'Brien, director of sales and market development at NPD, points out that last year carry-out actually increased its proportion of sales relative to delivery, according to CREST data.

Another potential competitor that probably won't offer delivery, but nonetheless makes many large and small pizza operators more nervous

*continued on page 150*

than any other, is McDonald's. The king of fast food continues to expand its pizza test begun in 1989. If and when the Oak Brook, IL-based chain rolls out the product nationwide, it would mean an addition of over 8,000 new locations serving pizza, or roughly a 16% gain in the current pool.

**McPIZZA.** McDonald's will not comment on if or when it will go systemwide. Supervisor of media relations Melissa Oakley says that the company does not set timetables for tests. She points out that the salad program was 10 years in development while Chicken McNuggets took 12 years.

The nation's largest pizza chain, however, is not taking a wait-and-see attitude. Pizza Hut director of public affairs Roger Rydell comments, "We are sure they will go national, and we consider them serious competition." In fact, in markets where McDonald's is testing, Pizza Hut has reacted immediately with "blunting campaigns" of aggressive anti-McDonald's print and TV ads, notes Wall.

McDonald's recently expanded its test to include several hundred stores in eight markets across the country. In addition to a 14-in. round pie available in several topping choices, the company is also testing a personal size with two topping varieties.

Despite the intensification of competition from all quarters, most pizza operators still express great optimism, and not without reason.

Pizza continues to be enormously popular with a key demographic group, Baby Boomers and their kids, Lippert points out. As a result, he says, "I can't see the category slowing down much at all in the near future." Pizza offers good food value, and delivers well, he adds, two key ingredients for success given today's economic and lifestyle trends.

To help strengthen their food value positioning, many pizza operators are also developing healthier recipes.

**HEALTH CONCERNS.** "More pizza operators are becoming concerned about fat and cholesterol content and other health issues," Wall points out. "They're cutting salt from the dough, adding low-fat cheese options and more vegetable toppings."

At Pizza Hut, the nation's number-one pizza purveyor, the most notable developments are not new product varieties, but new delivery channels. The Wichita, KS-based chain seems to be exploring virtually every means of bringing pizza to the public, from specialized delivery/carry-out units, to over 200 kiosk units franchised to Marriott Corp., to its own rapidly expanding kiosk operations, to in-line Express mall units, in addition to its regular full-size, full-service restaurants. About 1,500 of those now offer delivery.

Combined with its specialized delivery/carry-out operations, which for the short term will be opening at a faster rate than full-size units, PepsiCo's Pizza Hut now offers delivery from a total of 3,300 locations.

Delivery accounts for 25% of its U.S. sales and is growing, Rydell notes. It reached enough markets this year for the chain to initiate its first national network TV ads highlighting the service, he adds.

In all, Pizza Hut's variegated operations totaled 6,600 U.S. units at the end

*continued on page 152*

**The regional Pizza Pit chain stresses community involvement.**

of 1990, pulling in $4 billion in sales. Another 1,400 international stores contributed more than $2.6 billion. The company "broke through the Iron Curtain" on both fronts last year, Rydell also notes, opening two units in Moscow and one in the People's Republic of China.

Domestically, the company expects to have over 7,000 stores by the end of 1991, and plans to hit 12,000 by 1994.

"We just came off our third consecutive record year for company and franchised stores. We anticipate we will continue to grow very rapidly through the '90s," Rydell says.

The company is also set to target lunch as a greater opportunity. It currently accounts for 20% of sales or less.

"We want to be able to grow lunch the way we are growing delivery," Rydell comments.

While "keep it simple" is still the motto at Domino's Pizza, Ann Arbor, MI, the number-two pizza chain is also experimenting, albeit on a much smaller scale, with some diversification. Its principal new development centers on nondelivery "Pizzazz" units, stationed in shopping malls, sports stadiums, military bases, and other sites. They feature single-serving pizzas, called "zzingles," "zzalads," and drinks for carryout and in some cases, eat-in. There are currently 28 such units, reports national director of public relations Mike Jenkins. In 1991, the company will probably add another 20 to 25.

**PepsiCo's Pizza Hut now offers delivery from 3,300 locations.**

**PIZZAZZ.** The Pizzazz division is continuing a test program with a dozen Burger King units in several Southern markets, making 6-in., single-serving pizzas available at these sites for lunch.

In another cooperative venture, Domino's has arranged with Marriott's Food and Services Management division to deliver pizzas to colleges and school systems. The company is also contracting with some schools and colleges directly, Jenkins notes.

Meanwhile, Domino's continues to steadily expand its regular delivery outlets, both domestically and abroad. Systemwide locations, not counting the Pizzazz division, grew to 5,370 in 1990. They include 375 international units in 28 countries. In 1991, Domino's will open 400 units, 150 of them overseas.

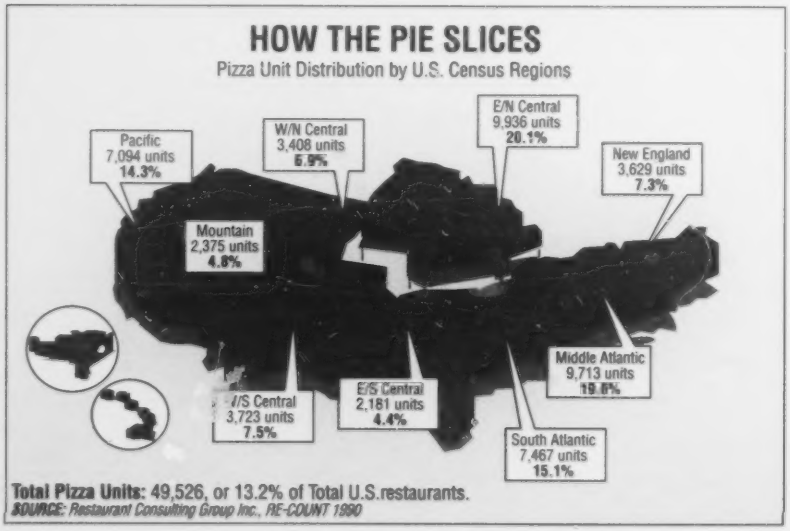
"We still plan to reach 10,000 units by the year 2000," Jenkins notes. "We expect to have 3,000 international sites by then. Ultimately, we think there is the potential for 5,000 units overseas."

On the product development front, the company remains cautious. Pan pizza, Domino's first new product since the company's inception, is still considered a test, even though it has already rolled it out nationwide, Jenkins says.

Promotionally, the company continues to emphasize double-value programs, such as its early spring offering of two medium, two-topping pizzas for $9.99.

In operations, Domino's has launched a "Back to School" program, designed to refocus employee's attention on the basics. "As new people have come into the system, our original for-

*continued on page 155*




CHARTS BY SHARI FANG



**For more information on General Foods circle number 58→**

mula has gotten diluted, so we're trying to bring that back," Jenkins explains.

Since founder Tom Monaghan turned day-to-day operations over to president David Black in 1989, Domino's has assembled a team of young executives in their 30s to early 40s that are "ready to take the company into the 21st century," Jenkins adds.

Little Caesar Ent. director of media relations Sue Sherbow points out that the chain's unit growth, at least in terms of percentages, has surpassed both Domino's and Pizza Hut for the last couple of years. The Farmington, MI-based firm added nearly 550 locations last year for a total of 3,173. It plans to further step up openings to reach over 3,800 stores by the end of '91. Systemwide sales last year hit $1.4 billion, projected to increase to $1.7 billion this year.

Unlike Pizza Hut and Domino's, Little Caesar continues to concentrate its growth plans on one format, carry-out, even though its system also includes a small number of fast-service and full-service sit-downs, drive-thrus, concession stands, and mall locations.

Last year, the company introduced a new seasoned crust for its round pizza in four varieties—sesame seed, poppy seed, garlic butter, and Parmesan.

**BEYOND THE BIG THREE.** Looking beyond the Big Three, the size of the nation's other pizza chains drops off sharply, with most companies operating regionally or zeroing in on well-defined market niches.

The number-four competitor, Round Table Pizza, San Francisco, operates 560 units in a 10-state western territory, generating $312 million in sales in 1990. The company also has about two dozen stores overseas, which contributed $10 million in sales last year.

Round Table plans about 35 domestic openings in '91, and expects overseas licensees to speed up expansion to 10 new stores yearly.

Similar to the approach taken by many smaller operators, Round Table's answer to the big chains is to concentrate its marketing thrust on the locally owned nature of its units.

**Although much of Pizzeria Uno's business is on-premise, it also offers take-out.**

## McDonald's test of a pizza product has rocked the segment.

"We're a chain of pizza restaurants principally run by owner/operators," notes Jim Fletcher, president and CEO, who assumed leadership of the fully franchised chain two years ago. "Our strength lies in emphasizing service and our neighborhood character.

"With 237 franchisees, most of our owners have just one or a couple of units. So many are on premise, managing them closely and expanding relationships with customers face to face."

The chain's main growth opportunity, Fletcher adds, will most likely come through delivery. Some 68% of units now deliver, and more will join in this year. Delivery accounts for 17% to 20% of sales at these stores. Another 40% of sales on average is take-out business.

"We're also doing a lot of work in office catering," Fletcher adds.

This effort is particularly important to the company's efforts to expand lunch business. To build other midday business, the chain is working on a five-minute lunch offering.

**BUFFETS.** Other pizza chains, to build lunch business, have turned to buffets.

Godfather's Pizza, Omaha, NE, introduced its all-you-can-eat buffet two years ago, consisting of pizza, a salad bar, breadsticks, and dessert pizzas. While some franchisees run them at night, too, they have made the biggest difference at lunch, "substantially increasing profitability during the noon

*continued on page 158*

hour," Steve Frisbie, manager of public relations, comments. "Earlier, we tried a 'hot slice' fast lunch offering. The buffet has exceeded that in bringing people in," he notes.

Godfather's average unit volume inched up to $440,000 last year. Its system totals 525 units, 360 of which are franchised, in 38 states. The largest concentrations are in the Midwest and Northwest.

The company plans a slow, measured approach to further growth. It is still saddled with a sizable debt from the chain's leveraged buyout from Pillsbury by Herman Cain and his management team in 1988.

**Supermarkets, selling packaged products, are now major competitors.**

Mr. Gatti's, a subsidiary of LDB Corp., Kerrville, TX, is banking an even larger portion of inside sales on its buffet. Its Fast Feast, available for lunch and dinner, features all-you-can-eat pizza, spaghetti, salad, breadsticks, and dessert, for $3.49 to $4.49. It accounts for 80% of eat-in sales, or 56% of total store volume on average, and has helped boost lunch to nearly 40% of sales. Take-out/delivery average 30%.

As part of its 25th anniversary celebration, Mr. Gatti's rolled out a new product last fall. "Pan Perfect Pizza," with a specially seasoned crust, uses just half the oil of most deep pan pizzas, according to the company.

"We feel our niche is in the family market," director of public relations Sharon Bailey, adds. To woo this business, the chain has developed a "three-room" concept that includes a family dining room with sports and general programming on big screen TVs, a Good Times Room with cartoons to keep youngsters busy, and a Garden Room for quiet dining.

Much of the firm's attention is currently directed at updating and remodeling company stores, while growth efforts will be focused mainly on franchising. Mr. Gatti's has 128 company units and 172 franchises in a 13-state quadrant of the country starting in Texas and heading east.

Average annual unit volume last year was $495,000.

**California Pizza Kitchen proffers an upscale image and product.**

The oldest pizza chain in the U.S., Shakey's Pizza Restaurants, South San Francisco, CA, is revving up operations since its acquisition two years ago by Singapore-based Inno-Pacific Holdings, Ltd. President Gene Stone notes that the company is looking for 20% international growth in 1991, and domestic openings of 20 stores per year for the next three years. At the end of 1990, its system included 194 U.S. and 183 international units with sales approaching $200 million.

The company went from one to 26 company-owned U.S. units last year, primarily through the acquisition of its former largest franchisee.

"We'll be getting more involved in company growth, but we're still aggres-

sively developing our franchise network," Stone notes.

Shakey's is scattered over 25 states. New development will focus on areas of greatest concentration, including California, Washington, and the Midwest, to create some economies of scale and market dominance.

International operations are also widely spread among 18 countries, with the largest number in Japan. This year the company hopes to open its first European licensees.

Shakey's was probably the first major pizza chain to offer a lunch buffet, and continues to stress variety.

"Our premise, 'Pizza and more,' and our slogan, 'A great deal and a great deal more,' still hold," Stone notes. "We've had chicken for many years, which accounts for up to 25% of sales at some units, and we debuted hot chicken wings last year. We'll be offering more new products in 1991. We will also continue combo offers to promote value, rather than the two-for-one game."

Shakey's is slightly downsizing new units, but Stone points out that its stores, larger than most other pizza restaurants, allow it to accommodate large groups.

"We feel we're the ultimate destination pizza operation," he adds.

Another destination chain is ShowBiz Pizza/Chuck E. Cheese, operated by ShowBiz Pizza Time Inc., Irving, TX. Ninety-five percent of business comes from families with children under 12.

"Our prime customer is three to eight years old, and 25% of business is birthday parties," Dick Huston, vice president, marketing, notes.

The company is testing combining its two chains under the Chuck E. Cheese name. "We've been operating two brands with the same consumer benefits, and we haven't been getting the national identity with it," Huston notes.

Since 25 ShowBiz units converted to Chuck E. Cheese last year, there are now 162 Chuck E. Cheese and 105 ShowBiz restaurants, including 122

*continued on page 160*


# Real Cheese Can Make Your Menu Over...

franchised operations under both.

"The most exciting thing we're doing is expanding the concept," Huston adds. "Last year we opened eight company and three franchised stores. Now we intend to speed up growth to 15 company units, and 20 or more in '92."

The chain is riding the wave of the recent mini-Baby Boom, which helped boost average annual unit sales last year 17% to $1.25 million. Management expects the opportunity to continue.

"With parents working more, and wanting to spend quality time with their kids, we think there's a place for us to fit in." The chain's special niche has also kept it out of the price wars. "We occasionally do value-added incentives, like giving away extra game tokens, but we don't discount pizza."

Less fortunate Pizza Inn, Dallas, hopes to revive its flagging sales this year with a new strategy. Once the nation's third-largest pizza chain, the company fell into bankruptcy following its 1987 acquisition by St. Louis-based Pantera Corp. Former USACafes president Jeff Rogers took over the helm in January 1990, and helped steer the chain out of Chapter 11 by last August.

Now turnaround plans include changing the chain from one with 140 company stores into a fully franchised system, Rogers notes.

**Chains are encroaching on independents.**

"We'll end up with perhaps 20 company stores when through." Most company sites have been franchised, and a few closed, leaving the firm with 447 units.

"We expect to open about 30 new stores in '91, and we will also open on the international market for the first

And Over...

Garden-Style Pizza

Take advantage of your patrons' love of pizza while you tap into the vegetarian market with a meatless pizza that's heavy on the cheese! We combined assorted vegetables with fresh spices, and added loads of shredded Cheddar, Mozzarella and Parmesan cheeses. Then, we layered it high on a delicate cornmeal crust. This Garden-Style Pizza will satisfy real cheese pizza lovers!

For information circle number 15

And Over...

American Antipasto

You'll increase your check averages when you tempt your customers to upgrade from a basic dinner salad to the American Antipasto. We've marinated Cheddar, American and Mozzarella cheeses with salami and assorted fresh vegetables, and topped it off with an Italian signature-style dressing. Increase your profits by making the American Antipasto your signature salad!

San Francisco-based Round Table Pizza.

time," Rogers says.

He adds that his first task on joining was to decide if the company had a chance of surviving.

"I was convinced in the first 30 days that the problem was not with the product, but with execution. Since then we've become more efficient in purchasing, advertising, and training. We've organized co-ops around the chain, and formed a good alliance with the franchisees. Obviously we're still highly leveraged, but we're running nine months ahead of our business plan."

Coming from Bonanza, Rogers' staff has used its experience to improve Pizza Inn's evening and weekday lunch buffet. It now accounts for half of dine-in sales. Delivery contributes 25% to the total sales, and carry-out 10%.

"I'm unconcerned about competing with other chains," Rogers adds. "Pizza Inn's own worst enemy has been itself. So we're focusing inside, to keep our own customers or bring them back."

Elsewhere around the country, many regional chains find themselves struggling to compete with the majors. Papa Gino's, Dedham, MA, faces a tough combination of a strong influx of new chain competition plus the precipitously slackening Massachusetts economy.

"Three years ago state unemploy-

*continued on page 162*

# And Over...

## Cheesy Eggs 'N Toast

For a better profit opportunity, try our Cheesy Eggs 'N Toast instead of ordinary scrambled eggs and toast. Just add shredded Cheddar, American and Mozzarella cheeses, diced ham, and green chiles to scrambled eggs. Melt cheese over toast points and serve salsa on the side. Our Cheesy Eggs 'N Toast will satisfy your patrons who have a craving for spicy, Tex-Mex fare.

**For information circle number 15**

# And Over...

## Kids Nachos

When you offer the little ones something to munch on before dinner, you create a whole new profit opportunity. Introducing an appetizer specifically designed for kids: Kids Nachos. We took crunchy tortilla chips and topped them with a special sauce, ground beef and a creamy American cheese sauce. Increase customer satisfaction by keeping the little ones occupied before their meals are served!

ment was three points below the national average. Today it's three points above," points out Ron Spinazola, director of marketing. At the same time, Pizza Hut and Domino's have made inroads in the area.

Due to the economic slowdown, Papa Gino's franchising plans have gone on hold. Its delivery program, however, continues to expand. About 100 of the chain's 219 units now deliver, and more are being added at a rate of about two per month.

Spinazola says delivery, which has grown to almost 10% of sales, should help the firm win back some lost market share, while other opportunities lie in its broad menu. Pizza accounts for just over half of sales, with sandwiches, hamburgers, pasta, salads, ice cream, and newly introduced calzones making up the balance.

While marketing programs include heavy couponing and two-for-one deals in answer to the majors, the company is exploring other strategies for communicating value. This month it will bring back a low-cholesterol pizza tested last year, and will replace ice cream with frozen yogurt to augment its health-orientation.

Pietro's Pizza, with 79 units in Washington and Oregon, is also working harder than ever to combat the larger chains. "We face competition in our markets from all the majors, and we can't match their advertising dollars," president Adamowski notes. "However, we can build a regional following by providing greater value. Also, we are a Northwest company that has always had strong identification with its roots. We can maximize that connection

**One challenge is diversity of taste preferences.**

## And Over...

### Pigs In The Blanket

Rather than serving ordinary pancakes and sausage for breakfast, try this breakfast treat instead. To dress up this traditional breakfast fare, we took pancakes and topped them with juicy sausage and American cheese. Then we rolled them up and added a special cheese sauce. Make the morning meal a more profitable daypart and offer your customers Pigs in the Blanket.

**For information circle number 15**

## And Over...

### Steak Mozzarella

Beef up an ordinary steak the Italian way: with a touch of cheese. Our Steak Mozzarella has an elegant look and offers you the opportunity to charge more than you could with a plain steak. We seasoned our steak with fresh garlic and broiled to order. Then we topped it with a mixture of basil, tomato and shredded Mozzarella cheese and broiled it until the cheese was bubbly. So, beef up your profits with the added value of cheese.

by marketing the idea that we cater to the people who live here."

One step has been the creation and heavy promotion of a Great Northwest Pizza, made with all local products.

Pietro's has the benefit of a long-standing reputation going back to 1957, although most growth took place after its acquisition by Campbell's Soup Co. in 1973. Current ownership, consisting of Adamowski and four other investors, acquired the chain in 1988. They have since added 14 company stores, and now plan to take the chain into franchising for the first time.

Pietro's menu includes spaghetti, sandwiches, salad bar, and soup, but pizza averages 80% of sales. Pietro's also serves beer and wine—a point of differentiation.

Two other chains that seem unfazed by the majors' galloping growth are Four Star Pizza, Washington, PA, and Wisconsin-based Pizza Pit.

Four Star embarked on an expansion frenzy of its own following its acquisition in 1989 by Jerricho, NY-based Cutco Industries, a franchisor of over 600 hair salons. It expanded from 25 to 125 franchised units in one year. In 1991, the company plans to add another 50 units, spreading from 14 to 20 states. It also has shops in Paris, London, Dublin, and Bermuda.

Our major emphasis is delivery, which makes up 80% of sales, and carry-out, although newer units offer some dine-in as well," president George Chavel notes. "The menu is simple: pizza, sandwiches, and soda.

"We're not trying to catch Pizza Hut," he comments, "but we know we can be very competitive on a local basis. Our opportunity lies in our locally owned aspect. Most of our franchisees are owner/operators. They are our strength."

Nearly half the owners are former Domino's employees, Chavel adds.

"Being a young company, we can offer them prime territories," he says.

*continued on page 164*


# And, A Menu Makeover Can Make You Money Over...And Over...And Over...

How can a Real Cheese Menu Makeover make you money over and over again? By making your entire menu more profitable with the added value and great taste of real cheese. Here's how it works.

**Increases your menu's selling power.**

When you add real cheese to a menu item, it gives your patrons the irresistible flavor they're looking for. And, because they place a higher value on dishes made with real cheese, you can charge more for them.

**Turns your slow movers into hot sellers.**

A Real Cheese Menu Makeover keeps your menu up to date with, and helps you profit from, ongoing ethnic trends. Any way you look at it, a Real Cheese Menu Makeover will help you make more money.

***Send for your kit, today!***

Our Real Cheese Menu Makeover kit includes recipe cards of the delicious dishes you've just seen, plus additional great tasting real cheese recipes. You'll also receive value-added menu ideas and loads of side dish suggestions to complement your updated menu items.

Give your menu the makeover it needs. Just write to: American Dairy Association, Foodservice Division, Department R12, Dairy Center, 6300 North River Road, Rosemont, IL 60018-4289.

REAL POSSIBILITIES
They're Endless

"REAL"® Seal is a registered trademark of United Dairy Industry Association

© 1990 American Dairy Association

Your assurance of a REAL dairy food.

America's Dairy Farmers
American Dairy Association

For information circle number 15

The Pizza Pit also keys in on delivery, stresses good value for a low price, and local identity. "Our slogan is 'Your neighborhood pizza delivery specialists,'" marketing director Hartl notes. Most development remained close to home in Wisconsin and Iowa until recently, but now the company hopes it can retain this approach while it steps up expansion both in nearby markets and central California.

"Because of our high traffic counts, we can sell low and still generate a fair profit," Hartl comments. Annual unit sales average $537,000.

The company also reinforces its identity in its home territory with humorous advertising, and is not afraid to go head-to-head with the majors.

"When Domino's tried a push here, offering $5 off for each competitor's pizza box customers brought in, we ran our own radio spots, advertising that we were giving away free $5 pizza boxes good at any Domino's location. We even handed them out on the street," Hartl says.

## The Big Three are expanding at the expense of smaller operations.

Another key to success, he comments, is a sophisticated delivery system—"Not in terms of technical features, but in terms of training. For a small company, we have a large training department, and we're constantly training, re-training, and retro-training."

Breadeaux Pisa, St. Joseph, MO, is trying to carve its own niche with a differentiated product. It features a French bread dough crust pizza available in several forms: hand-tossed, pocket, full-size double crust with toppings inside, and a new deep dish product rolled out last summer. The company offers some unusual varieties such as bacon cheeseburger, taco, and BLT. Last year it also added a vegetarian pizza with broccoli, cauliflower and fresh tomatoes.

"We're a value-related product," notes Jim Larkin, founder and president of the 100-unit, mostly franchised chain. "But what's changed in the last couple of years is how we communicate that value.

"When we started, Pizza Hut was getting $5.25 for a small, two-topping pizza. We said, 'we'll sell you two for $5.75.' Now, they sell a medium supreme for $6.99. We can't sell two for $7.50, so we have to convince people the value lies in the quality of our product. Only a miniscule number of customers order extra cheese or meat, for example, because we put plenty on to begin with."

"We try to offer better service and better food. Our top feature is our 30-plus-item salad bar, which accounts for 20% of sales. It adds to our costs, but it gets people in who aren't pizza eaters," he notes.

**COMPLEMENTS.** At the Mazzio's chain, pizza makes up just 56% of sales, complemented by fettuccine, lasagna, and other pastas, chicken entrees, and sandwiches.

"We also offer specialty pizzas each year. We try to introduce products on the leading edge, to bolster our image as being a little different," Lippert says. Recent offerings include Pizza Light, made with fresh vegetables and low-fat mozzarella to meet American Heart Association guidelines. This year the chain also debuted "its opposite," Lippert says, Choice Meat Plus made with five meats and five cheeses.

Mazzio's system includes 265 units, 119 of them company-owned, in 20 states. The largest number are in the south-central region.

"We plan to fill in markets rather than expand our geography," Lippert notes.

Most sites now offer delivery, just phased in over the last five years in response to competitive necessity and consumer demand. The company also has 12 delivery-only units.

While Mazzio's tries to offer something "a little better," it still competes for the "base-level" pizza customer.

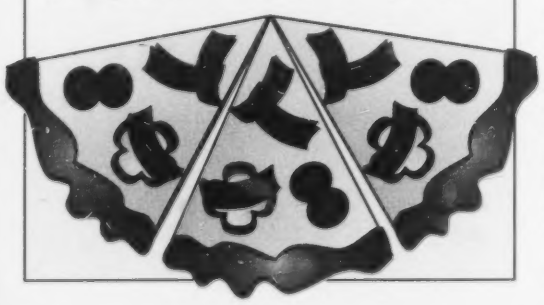
Other pizza operations are taking the product to a whole new quality level, serving gourmet-style pizzas in more highly styled, upscaled settings. Next to the Big Three, some of these concepts are currently writing the biggest pizza success stories.

**GOURMET-STYLE.** Topping the list is California Pizza Kitchen (CPK), Beverly Hills, CA, started by former lawyers Larry Flax and Rick Rosenfeld in 1985. The company has since grown

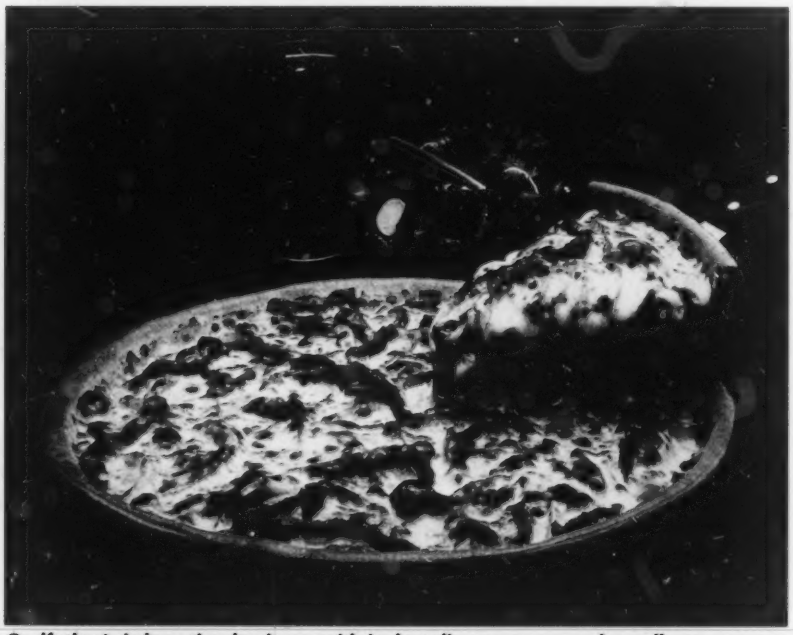
*continued on page 168*

### THE BIG THREE

| Company Name | 1990 Units | 1990 Sales |
|---|---|---|
| **Pizza Hut** (PepsiCo) Wichita, KS | **8,000 (6,600 U.S.)** | **$6.6 bil. ($4 bil. U.S.)** |
| **Domino's Pizza** Ann Arbor, MI | **5,370 (4,995 U.S.)** | **$2.65 bil. (U.S. only N.A.)** |
| **Little Caesars** Farmington, MI | **3,173** | **$1.4 bil.** |



# PIZZA



**Godfather's is boosting business with its hot slice program and an all-you-can-eat buffet, which includes pizza, breadsticks, salad bar, and dessert pizzas.**

to 16 units in several states. Six to eight more should open this year. Sales are projected to increase from $22 million for its last fiscal ended June 1990, to $35 million for fiscal 1991, and a public stock offering is being contemplated.

CPK's menu offers 28 varieties of gourmet pizzas baked in wood-fired ovens. Its best seller is barbecued chicken. Other varieties, updated every few months, include Caribbean shrimp, shrimp pesto, Thai chicken, goat cheese, and moo shu chicken. The menu also includes pastas and a variety of salads.

Checks average about $12 to $14 per person.

"We think we're bringing excitement back to people who have drifted away from pizza," Flax comments.

"We're also very much a family concept. We provide a common ground for parents and kids, because we serve enough simple pizza and spaghetti dishes that kids like, and exciting food in a pretty setting for adults."

While not as exotic, Bertucci's Brick Oven Pizzerias, based in Woburn, MA, also offer upscaled pizzas baked in wood-fired ovens, along with pastas, salads, and soups, in a casual but nice atmosphere. One of the company's strengths, marketing director Jill Sykes notes, is its high-value quotient, since it offers upgraded, freshly prepared products, style, and service, at prices comparable to those of many lower-pitched pizza operations.

"We're able to offer that value by working off volume," Sykes notes. The company also holds advertising costs down by focusing its marketing efforts at the customer in the unit and word of mouth, supplemented by a billboard program.

These tactics have helped Bertucci's grow from five to 21 units in less than five years. It plans to continue opening five to six restaurants a year, primarily in Massachusetts and other New England states.

## Take-and-bake products are becoming popular.

CEO Jim Frye describes the Italian Oven, Ligonier, PA, as similar to Bertucci's but not quite as urban or chic.

"Our toppings include some unusual items, but we're not as exotic as California Pizza Kitchen either," he adds. "We do have the grilled chicken pizza, and lots of fresh vegetable toppings like spinach, broccoli, and oven-roasted Italian plum tomatoes." It, too, features wood-fired ovens, which Frye says provide a superior product.

"But we don't hinge our success on them, they're just one attraction."

His corporation, Fornello USA, opened its first unit just over a year ago and now has three more open and 11 others under agreement.

"We think we'll have 30 to 35 under agreement by the end of 1991," Frye adds.

**RESTAURANT-QUALITY.** Another development to watch is take-and-bake pizza—not the pre-made, supermarket variety, but restaurant quality pies made fresh to order.

Jerry Kenney, vice president of operations for Papa Aldo's, Portland, OR, says his company is the largest exemplar of the concept, which he believes originated on the West Coast.

"All our pies are made to order," he adds. We also make our dough fresh every day, shred our own cheese, and make our sauce from scratch in each store.

"We feel our price/value is excellent. We try for a price range 20% to 30% lower than other pizza places. The other story we sell is convenience—offering customers a pizza that's ready and hot when they want it, fresh from their oven at home.

*continued on page 170*

Chuck E. Cheese targets kids.

"We're not competing with supermarkets, but with pizzerias," he adds.

The 75-unit chain is still working on getting its message out to the public, however. In an effort to boost sales and increase customer frequency, it added take-and-bake calzones and lasagna last year.

Another twist to the concept is being tried by Uno Restaurant Corp., West Roxbury, MA, which just began adding a "fresh-to-bake" program to some of its 88 Pizzeria Uno restaurants six months ago.

Pizzeria Uno has offered a limited selection of frozen pies for take-home from its units in the past. Uno also has a distribution program through supermarkets, offering a limited selection of its pizzas. Its new program, however, allows customers to purchase any pie on its menu, prepared fresh to order just like any in-restaurant order, only to take home and bake.

"The program will be in all locations eventually," notes senior vice president of development Dave Leonard. "We think it's going to be a big addition."

There seems to be enough room for the continued growth of the pizza market segment. But the days of unbridled expansion are past, as hungry regional chains and independents fight the Big Three for an ever-smaller piece of the pie. **RB**


DELIZIOSO!

*Fior di Latte™ Fresh Mozzarella*

America's trend-setting restaurants have discovered the popularity and profitability of Polly-O® Fior di Latte™ fresh mozzarella. It's the tastiest, creamiest, most delicious fresh mozzarella produced in the U.S., plus it has a unique refrigerated shelf life of up to 28 days.

Simply serve it sliced with fresh or sun-dried tomatoes, fresh basil and drizzle with olive oil. Even easier, add cherry-size balls (Ciliegine) to any of your favorite salads.

Fior di Latte™ fresh mozzarella comes in four unique portion-controlled sizes: 1/3, 1-1/2, 4 or 16-oz. balls. For "delizioso" recipes for appetizers, salads and entrees, call Mark Schneck at Pollio Foodservice, 1-800-8POLLYO.

Where the art of making great Italian cheese comes naturally.

For information circle number 170

POLLY-O

FOOD SERVICE

Pollio Dairy Products Corporation
120 Mineola Blvd., Mineola, NY 11501